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"The United States has been the regional power in Asia since the end of World War II. But change is under way."

America Confronts the Asian Century

MORTON ABRAMOWITZ AND STEPHEN BOSWORTH

The concept of East Asia as a region began as mainly a Western geographical expression. This area, encompassing the countries from Japan and China through Southeast Asia to Burma, became embedded in the organizational thinking of Western foreign ministries, including the State Department, but East Asia was never a very coherent geographical entity. To the extent that East Asian countries and peoples had common characteristics, they were primarily the legacy of China's cultural influence and Western imperialism.

Today, however, the expression "East Asia" is increasingly heard in the region itself and has taken on more concrete significance because of the region's rapidly increasing economic integration and growing self-consciousness. This geographical focus is still, of course, somewhat artificial in today's world: India, outside of East Asia's geographical footprint, is likely to play a much bigger role in the region; Australia and New Zealand are eager to join the East Asian club; Japan and increasingly China are not just East Asian players but world players. Indeed, one of the difficulties East Asian countries have only begun to discuss in their movement toward a more cohesive regional community is whether to include nations outside their current usage of the term East Asia.

Much more than a geographical expression, East Asia is now an international economic power. Its companies are serious, often dominant, players in virtually every industry. East Asian brands are now global brands. Commodity markets are shaking from the repercussions of East Asia's growth and its escalating demand for energy, steel, aluminum,

lumber, and countless other resources. The world's nonagricultural labor force has virtually doubled in only a decade or two as East Asian workers have entered the global economy. East Asia's share of global GDP has risen sharply from some 12 percent in 1970 to nearly 20 percent in 2004. Its share of global trade has grown even more rapidly, from 10 percent in 1975 to 21 percent in 2003. Finally—some would say alarmingly—East Asian central banks now hold some \$2 trillion in American assets. Who would have predicted, even 10 years ago, that East Asia would have become the largest foreign creditor of the United States?

These massive changes have taken place over only half a century, a remarkably brief period. Progress, of course, has been uneven. A few economies still lag badly; some governments are unstable; two are very unedifying; and in many countries, including China, a large chunk of the population remains desperately poor. Still, the bottom line is impressive. In little more than one generation, hundreds of millions of people have risen from a life of day-to-day subsistence to a world of middle-class consumerism. Even those hundreds of millions who have not yet prospered—resentful though many may be—have the powerful example of their countrymen who have.

The region's global economic weight has not yet been matched by increased international political influence, collectively or individually. With the important exception of Japan (and tiny Singapore), East Asian countries remain absorbed with domestic affairs. Few seek to strut on a world stage, and again, with the exception of Japan, they contribute little to international humanitarian enterprises or the activities of the United Nations.

China, to be sure, has begun to reach out and engage multilaterally, even in UN peacekeeping. And China's concerns about its exploding needs for energy and other raw materials have led to an active

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"CHINDIA" TILTS THE PLAYING FIELD

Clyde Prestowitz

JUST AS JAPAN appears to be emerging from more than a decade of economic difficulty, the emergence of "Chindia" is rapidly undermining Tokyo's long-term game plan for staying competitive.

The Chinese challenge has, of course, been recognized for some time, and Japanese companies have responded by redoubling efforts to penetrate Chinese markets while at the same time keeping proprietary, high-technology production at home. But just as it seemed like these efforts might be paying off, India has entered the picture with a high-tech strategy of its own that, when paired with China's manufacturing thrust, makes the entire Japanese economy more vulnerable than ever.

Ironically, this is, at least in part, a result of the success of Japan's original export-led growth policy. It worked so well that it was studied and widely imitated by other Asian countries seeking "miracles" of their own. First South Korea, then Taiwan, Hong Kong, Singapore, Malaysia, and Thailand adopted their own versions of the Japanese game plan.

Of course, another important factor contributed powerfully to their success: the United States adopted a complementary domestic consumption-led growth plan. This created the demand necessary to absorb the exports of the export-led growth countries by making America into the greatest consuming country the world had ever seen.

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Over the past 30 years, the convergence of these two strategies has led to the creation of a global economic structure that is highly complementary and unbalanced. The strong dollar, while good for American consumers, has tended to move manufacturing out of the United States to offshore locations in Asia. The result is a large and rapidly growing US trade deficit that acts as the primary engine of growth of the global economy.

However, this deficit has to be financed, and is currently funded primarily by lending from Japan and China. For a long time, it has been argued that this situation is nothing to worry about because the United States will move to higher ground by creating primarily a services and high-tech based economy that will eventually replace manufactured exports with exports of high value-added services and technology. As it has become a high-cost country in recent years, Japan has also begun to move manufacturing offshore while focusing more attention on services and high technology as the keys to future growth and competitiveness.

The difficulty for both America and Japan is that China and India have come into the global system when the Internet and FedEx have canceled time and distance. With its low-cost but good-quality labor and rapidly improving infrastructure, China has become the location of choice for commodity manufacturing.

Beyond this kind of manufacturing, however, is the fact that China is also increasingly becoming a high-tech powerhouse. China's semiconductor fac-

economic diplomacy in the Middle East, Africa, and Latin America. Economic growth has led to an expanding global agenda, which has stirred the bureaucrats and think tanks in Washington. Indeed, China is now invited in a serious way to help solve grave international problems such as nuclear weapons proliferation by North Korea and Iran.

In general, however, the countries of East Asia, including China, have a long way to go in acquiring the habits of constructive global involvement. Cultivating such habits will be necessary if the region's global influence is to grow and eventually permit East Asia to lay claim to its own century to follow the American one. The "Asian Century"—some would say the "Chinese Century"—is likely only a matter of time, but it will probably not arrive all that quickly.

AMERICA'S FOOTPRINT

The United States, of course, has played an enormous part in the transformation of East Asia. During the cold war, Americans ran Japan for a time, helped create states in Taiwan and South Korea, fought two bloody wars, and brought millions of East Asians into their own population. The United States has given massive amounts of aid and technical assistance to friends and allies in the region. Huge expenditures in Asia during the Korean and Vietnam wars helped jumpstart growth in many East Asian countries. Capital and technology flowed westward across the Pacific, generating profits for US companies, while inexpensive, increasingly high-quality manufactured goods flowed back to the United States.

Once the cold war ended, America's preoccupation with the area diminished; at least that is how

tories already rank among the world's low-cost producers, and its biotechnology and nanotechnology laboratories are moving rapidly forward as it absorbs technology from all over the world.

So China is going to be the location of choice for much high-tech development and manufacturing as well as low-end production. And even more significant, perhaps, will be India's impact on the global economy. Like China, its large population is mostly poor and unskilled, but making up 10 percent of Indians are more than 100 million people who are highly skilled and fluent in English. Many have educations from elite American and British universities with extensive experience in Silicon Valley and other leading institutions and companies around the world.

ANYTHING YOU CAN DO . . .

These people can do anything that can be done in Japan, North America, and Europe. Indeed, they can often do it better, and they can do it for 20 percent of the cost. In particular, because of the Internet, they can perform highly sophisticated and high-tech services. Intel and Texas Instruments, for example, have teams in India designing cutting-edge semiconductors. General Electric has one of its main R&D centers in India. Brain scans and radiology of all types are read online in India. Indian hospitals are flying patients from all over the world for high-quality low-cost treatment in Indian facilities.

On top of this, India has an entrepreneurial culture and experience that are second only to that of Silicon Valley and far ahead of Japan's. India may well outdo Japan and even the United States at

inventing the next generation of technology and bringing it to market.

Thus, the comforting neoclassical paradigm—according to which developed countries do R&D and high-tech invention along with sophisticated services while developing countries specialize in agriculture and low-end manufacturing—is being stood on its head. “Chindia” will excel at both the high end and the low end and in services as well as manufacturing. This means Japan's ability to compete in the future will be severely challenged and America's even more so.

Indeed, it means acceleration of the likely collapse of the current global economic structure. The US trade deficit cannot grow indefinitely. The ability of Japan to help finance this deficit will be dramatically reduced by Japan's increasing inability to retain high-tech manufacturing as China more and more produces its own components and equipment and as India takes more and more of the sophisticated service work. Japan's trade surplus and level of savings will drop significantly. Likewise, the United States will not be able to expand its exports because China and India will be more competitive in both high technology and services.

In light of this, experts like former Federal Reserve Chairman Paul Volcker are predicting a 75 percent chance of a global financial crisis in the next four years. Indeed, some analysts are saying there is a 40 percent chance of a crisis within the next 12 months. This would entail a dramatic devaluation of the dollar, spiking global interest rates, and recession if not depression on a worldwide scale—with China and India emerging as the new arbiters of the global economy's direction. ■

many in East Asia have seen it, and many, especially in Southeast Asia, still do. But history, national interest, and money keep drawing the United States back. Taiwan and North Korea continue to require close attention. Washington's concerns about a possible global disaster led it to take the lead, albeit belatedly, to stem the Asian financial crisis of the late 1990s. Above all, East Asia's dramatic economic growth is bringing American and East Asian economic destinies together in ways that would have been inconceivable just a decade ago. We are indeed in new territory; the question facing American policy makers is whether the United States is responding in appropriate ways.

The United States has been *the* regional power in Asia since the end of World War II. But change is under way. While there still is healthy respect for US

military power in East Asia, there is also some uncertainty about the relevance of that power in terms of what is actually happening in the region.

Many East Asian governments still prefer a robust US military presence in the area. Most believe that US forces in Northeast Asia are critical to keeping the peace in Korea and the Taiwan Strait. Even some of Washington's stronger allies, however, want a restructuring of the US military presence to reduce its political impact in their countries, including the cost of helping to maintain forces and bases. The marines in Okinawa remain a thorny problem for both the American and Japanese governments; the US military, after years of discussion, will finally be moving out of Seoul. Governments in East Asia today still usually find comfort in having the Seventh Fleet just over the horizon, but they are not

always eager to see American ships steaming into their ports.

This changing perspective flows in great measure from China's growing economic and military power. Even among Asian nations that are worried about being bullied by China, there is not much sense in and out of government of any active Chinese military threat—except in Taiwan—that needs to be deterred by the US military. But China's neighbors do realize that their hopes for economic growth and stability greatly depend on good ties with Beijing. If China prospers, they will prosper, and if China is hurt, they will be hurt. There is, in short, a new complexity about what counts in East Asia.

RUMSFELD'S QUESTION

Some important Americans see China differently. Secretary of Defense Donald Rumsfeld, for example, at a 2005 security conference in Singapore characterized China's investment in new weapons systems as a threat to Asian countries. He went on to ask: "Since no nation threatens China, one must wonder: Why this growing investment?"

His question is important, but it could be asked of all countries that maintain large and costly defense establishments. Indeed, coming from the defense chief of a country that spends more on defense than the rest of the world combined, Rumsfeld's question borders on the ludicrous.

In part, it reflects a deeply held belief in some quarters of the US foreign policy establishment that America has unique burdens and responsibilities that require a huge military edge everywhere in the world. Since Americans are the good guys who ride to the rescue of the weak and oppressed, any amount they spend on defense is justified, and, whatever they do, they should not be seen as a threat to anyone who does not have malign intentions. This is, of course, not always how other countries have seen the United States, including many in Asia.

Rumsfeld's question also reveals a mindset in the Pentagon about China and its prospective challenge to American preeminence, a mindset that is growing in Washington and elsewhere in America. While few disagree that the US relationship with China is multi-dimensional, China is often viewed as a rising power maneuvering to regain control of Taiwan, stirring a historical rivalry with Japan, scheming to take disputed islands in the Pacific, oppressing its own minority populations, and wanting "to drive the United States out of Asia" (whatever that means given the magnitude of the US trade deficit with China).

There is also a deeper certainty, particularly among the conservative cognoscenti, that a more

powerful, nondemocratic China will somehow ultimately challenge the existing world order, which has been largely constructed by the United States. This overall assessment—exaggerated as it may be—could well shape Washington's thinking about East Asian security and increasingly inform the policies that the United States pursues. The United States and China have begun to bump up against each other in many fields and regions—from Uzbekistan to Saudi Arabia and Iran to Nigeria. This not surprisingly frightens some Americans, particularly because China, unlike the Soviet Union, is not a Potemkin village economically.

THE BALANCE OF SOFT POWER

In some ways, the American foundation in East Asia remains strong. The power of the US market and the reach of US financial institutions are enormous. America's popular culture is pervasive and its higher education remains a highly valued commodity. Political elites still respect American power and determination—and American values—even if they frequently disagree with Washington's policies.

Asians above all have wanted continuity and constancy in US policy. Both China and Japan assume that America's interest and deep involvement in East Asia will continue. They may fret about the lack of policy continuity between administrations, but no one thinks the United States is about to go away, even though many Americans think that is China's goal.

One senior Chinese foreign ministry official answered metaphorically when we asked how failure in Iraq might affect attitudes in China about American "reliability." He laughed and said, "We think of you Americans as great surgeons going around the world performing remarkable surgeries but then you move on to open up the next patient before you sew up the last one. We think you made a mistake going into Iraq. But you remain the most powerful country in the world, and your interests in East Asia are too great for you to walk away from." He did not add that China is not exactly dismayed to see the United States tied down in Iraq.

One might have assumed that China's escalating power would cause countries in the region to value America's presence more highly, and many do, especially in Southeast Asia. But they tend increasingly to say this sotto voce. The Chinese are probably listening, and few want to offend Beijing.

Only Japan has moved to enhance its alliance with the United States. Tokyo has not hesitated to endorse the wider use of US forces based in Japan and has deployed its own forces beyond the Pacific region. As

further evidence of support for the United States, as well as its own interests and its problems with China, only Japan has publicly indicated, very noticeably in 2005, its concern over the security of Taiwan.

One of the less noticed trends in East Asia is the emergence of a new generation of nationalist leaders, particularly in democratic countries, who are no longer willing to accept the delivered wisdom of the United States—one of the unintended consequences of democracy promotion. In South Korea, for example, the generations born after the Korean War, including many current politicians and government officials, are reexamining their history and claiming to see a self-serving American hand that propped up authoritarian military leaders.

While continuing to find comfort in their ties with Washington, South Koreans are defining their interests, especially in North Korea, independently from how Americans define theirs. They are increasingly attentive to China, which has supplanted the United States as South Korea's largest trading partner and whose views regarding North Korea are, at least for the immediate future, more compatible with their own than are those of the United States.

The US-South Korean military alliance—though still firm—no longer seems an assured long-term element in East Asia's future.

US credibility among Asian publics has plummeted in recent years, but negative attitudes toward Americans existed well before George W. Bush came to office. Young people in particular, from Indonesia to China, are highly critical of the United States even as they work hard to go there for education or employment. Chinese students cannot be budged from an angry belief that the bombing of the Chinese Embassy in Belgrade in 1999 was deliberate. Few in East Asia support US efforts in Iraq; those countries that sent troops, such as South Korea and Japan, did so as an investment in their alliances with the United States, not because they agree with the policy. Among East Asia's Muslim population there is a strident antagonism toward US policies on Iraq and the Arab-Israeli issue.

The longevity of these attitudes remains to be seen. Events have a way of altering perceptions—for good or for ill. The US humanitarian responses to the December 2004 Indian Ocean tsunami and Pakistan's earthquake in October 2005 restored some measure of goodwill in the area, at least

temporarily. For now, however, America's "soft power"—historically invaluable if not as visible as its "hard power"—is declining.

For one thing, the United States has more rivals in the soft power competition. East Asia is developing a vibrant contemporary culture that offers alternatives to Hollywood and MTV. In television and film, South Korea, Hong Kong, and others are now producing for all of East Asia, not just for local markets. In higher education, it is not only post-9-11 difficulty in obtaining student visas that has reduced the number of East Asian applicants to American universities. There are newly credible options. The region, particularly China, is investing heavily in homegrown alternatives to Western elite institutions. Fluency in English will continue to be an essential tool for success internationally, but younger East Asians increasingly see fluency in Mandarin as a marketable skill.

Does this shift in attitudes and perceptions have serious policy significance? We believe it does. It lim-

its bilateral cooperation and Washington's ability to mobilize support in international institutions. It constrains Asian government policies that otherwise could be

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more accommodating to US policy. Over the longer term, growing negativism can corrode the United States' interests and lessen its influence. New governments will come to power as in South Korea that are less bound by history and less in awe of America.

If the United States has begun to lose influence in East Asia, Americans can take some consolation that the decline results from their successes as well as their failures. While the cost of their efforts has been great in blood and money, the United States has achieved a large measure of its original postwar aims in East Asia: growth, stability, democracy—and independence.

THE NEIGHBORHOOD GORILLA

The United States remains an incredibly dynamic country and a central player in the region. But it is having difficulty getting used to a new East Asia where its power is still great but its sway much less. And this could get worse. Japan was and still is a competitive economic challenge, but it has been largely an American follower in geopolitical terms. Now the United States has a 600 pound gorilla in the neighborhood, perhaps going on 800 pounds.

It is definitely not a poodle, and Americans fulminate about China even as they devour its goods and vie to enter its markets. Even South Korea, a smaller but impressive dynamo, no longer marches to the US tune on critical matters, while much of Southeast Asia is enthralled by China or, like Burma and Cambodia, beholden to it.

America has developed new dependencies as well. Its interest rates and capital markets depend on East Asian central banks' willingness to hold US debt generated by ballooning trade deficits. Its homeland security depends on the cooperation of Indonesia, Thailand, and others in exchanging intelligence and undertaking joint police action against terrorists. Its companies and workers are vulnerable to rapidly shifting patterns of comparative advantage as Asia moves up the technological ladder. Americans must adjust to higher prices for commodities, notably energy, as East Asian demand surges. While the benefits to the United States of Asian success far outweigh the costs, that is not always or even usually evident in domestic political discourse.

Meanwhile, Washington has to be constantly attentive to the two issues carried over from the past century—Taiwan and North Korea—where the burden of deterrence is still significantly America's to carry. Also dangerous, however, is the tendency to view the new East Asia from a largely military perspective, especially when it comes to China. The reality is that the utility of military force, beyond the Taiwan and North Korean issues, is not all that compelling to many East Asian countries as they consider how to balance the nature of their long-term relationships with China and their equities with the United States. It is similarly questionable whether military power remains all that relevant to America's desire to guard access to resources and markets in East Asia.

The challenge for the United States in this region in this new century seems increasingly one of managing globalization and economic competition—the drive for markets, the growth of new technologies, and the critical requirement for human talent. In the long run, what East Asia offers the world is not just inexpensive labor, but impressive intellectual power and enormously hardworking and market-oriented peoples. The competitive challenge promises to be increasingly formidable.

America's chances for success in this competition will not be enhanced by simply providing more resources for its military. Such a one-dimensional approach will both stir the competitive juices of potential rivals and discomfit friends and allies. The increasing economic and perhaps political

integration of East Asia will strengthen both of these reactions.

THE AMERICAN CHALLENGE

The American relationship with the new East Asia will be determined in large part by four inter-related issues. First, how should the United States deal with China's emergence as a great player on the international scene? Will it try to balance an economic and political approach with a heavy military containment effort? If so, how? Should Washington try to encourage China to be a responsible "stakeholder" in the international system, as Deputy Secretary of State Robert Zoellick urged in a November 2005 speech, drawing the Chinese into embracing the international system much as Americans have managed it over the past several decades? Or must the United States accept that life may be a little different and that stakeholders, especially ones on the rise, may want a substantial role in setting the course and not just following it?

Second, effective handling of the Taiwan and North Korean issues is critical to continued peace in East Asia. These two potential flashpoints are an inescapable part of managing US relations with China, Japan, and South Korea as well as the wider global issue of nonproliferation. America's skill in dealing with these challenges remains a major determinant of its ability to exercise leadership and influence in the region.

A third issue is how to deal with Sino-Japanese competition. Some want to maintain a more vigorous US-Japan military alliance directed at containing China. Others see this as geopolitical folly and argue that America's efforts should focus on working to reduce tensions between China and Japan, persuading the latter to come to terms more effectively with its wartime past so it can play a more effective peacetime role in the region.

Last, how should Washington respond to efforts to build wider and more effective political and economic cooperation within East Asia? It is unclear at this point where this effort, including the notion of an East Asian Community, might go, but it will definitely not fade away. The United States can influence, though not necessarily determine, the outcome of the effort. But first America will have to decide what outcome it wants.

A new sun has risen in East Asia, and it can make the West uncomfortably warm. US policy in any event should be grounded in the region's new realities. Americans cannot allow themselves to be mesmerized by military considerations or seduced by excessive geopolitical rhetoric. ■